

Tom Leuner
General Manager Markets Branch
Australian Energy Regulator
GPO Box 520
MELBOURNE VICTORIA 3001



12 August 2010

Our Ref: PRO10-6000

Dear Mr Leuner

Support for the Queensland Council of Social Services' Submission to the Australian Energy Regulator in response to the *Issues Paper: Retail Market Performance Reporting*.

The Public Interest Advocacy Centre (PIAC) endorses the recommendations contained in the Queensland Council of Social Services (QCOSS) submission to the Australian Energy Regulator's (AER) *Issues Paper: Retail Market Performance Reporting*.

PIAC has been involved in the QCOSS research project, *Hardship indicators and performance reporting - ensuring best practice outcomes for consumers in AER guidelines*, that informs the submission. As a member of the reference group, PIAC has had a number of opportunities to provide input to the process.

Having reviewed the outcomes of the project, PIAC endorses the recommendations that QCOSS has made.

Yours sincerely

A handwritten signature in black ink, appearing to read "Deirdre Moor", written in a cursive style.

Deirdre Moor

Acting Chief Executive Officer
Public Interest Advocacy Centre

Direct phone: +61 2 8898 65507
E-mail: dmoor@piac.asn.au

Cc:
Encl:

Level 9, 299 Elizabeth St
Sydney NSW 2000
DX 643 Sydney
Phone: 61 2 8898 6500
Fax: 61 2 8898 6555
www.piac.asn.au
ABN: 77 002 773 524



AER Issues Paper
- Retail Market
Performance Reporting

QCOSS Submission

August 13th 2010

About QCOSS

Queensland Council of Social Service (QCOSS) is the peak body for over 600 welfare and community sector organisations in Queensland. For over 50 years QCOSS has worked to promote social justice and exists to provide a voice for Queenslanders affected by poverty and inequality. We act as a State-wide Council that leads on issues of significance to the social, community and health sectors. We work for a Fair Queensland and develop and advocate socially, economically and environmentally responsible public policy and action by community, government and business.

Queensland Mines and Energy (QME) and the Queensland Department of Justice and Attorney-General (DJAG) have funded QCOSS for an energy consumer advocacy project in Queensland. The objective of the QCOSS Energy Consumer Advocacy Project is to examine and provide input into Queensland Government energy policies and where relevant the relationship to national energy policy, with a particular focus on the needs of low income and vulnerable households.

QCOSS also attracts funding for specific energy projects which can inform our consumer advocacy. One such project funded for 2010 is on “Hardship indicators and performance reporting - ensuring best practice outcomes for consumers in AER guidelines”. This project is funded by the Consumer Advocacy Panel (www.advocacypanel.com.au) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas. The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.

This submission is based on the ideas and information generated through the project, including from consultation with consumer organisations in various jurisdictions. The work has benefited greatly from the advice and input of the project Steering Committee which comprises the Consumer Utilities Advocacy Centre, Public Interest Advocacy Centre, Wesley Uniting Care, Consumer Action Law Centre, and the St Vincent de Paul Society. However, the views and recommendations in this submission are those of QCOSS.

For any questions or enquiries regarding this submission, please contact Dr. Roger Church at QCOSS on (07) 3004 6965 or by email on rogerc@qcross.org.au

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 - Some future direction for performance and information reporting indicators
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Summary

Summary part 1 - Key points from the general comments on reporting

- Indicators should be collected for both information and retailer performance purposes.
- Indicators on retailer performance should address both:
 - the extent to which retailers meet obligations on them (processes), and
 - the effectiveness of a retailer meeting their obligations (outcomes).
- We support the indicators proposed in the Issues Paper, but they do not go far enough. Additional indicators are required across all of the areas listed in the Issues Paper but especially around the handling of customers in payment difficulties.
- A research program is required to examine problems that are not addressed by the indicators, and to identify any problems with the indicator data itself.
- The research program needs to include surveys of customer experience.
- The form and presentation of the public reports is critical to the overall regime. The AER should develop 'mock' quarterly and annual reports for consultation with stakeholders.
- Three additional areas need to be incorporated into the reporting regime, either now or in the near future: indicators by postcode; smart meter availability and use; and environmental reporting.

Summary part 2 - Full set of proposed indicators

Customer numbers	Proposal
Number of authorised retailers (national, so all participating jurisdictions)	AER
Number of retailers selling energy or actively marketing but no customers <ul style="list-style-type: none"> • By jurisdiction and customer class 	AER
Number of customers <ul style="list-style-type: none"> • By retailer for each jurisdiction and for each fuel type • By retailer for each jurisdiction and fuel type, by customer class 	AER
Number of residential customers that are NEM connected but supplied by an exemption holder rather than by an authorised retailer.	Additional
Standard and market retail contracts <ul style="list-style-type: none"> • By residential and small business, and by small market offer (business using 40-100 MWh or 0.4-1TJ pa) • By retailer and jurisdiction 	AER
Standard and market retail contracts <ul style="list-style-type: none"> • Residential customers on a concession • Using a PPM 	Additional
By distribution network in each jurisdiction <ul style="list-style-type: none"> • Number of customers for each retailer for each fuel type • Number of standard and market retail contracts for each fuel type 	Additional
Transfers by month <ul style="list-style-type: none"> • Total retail customers (small and large) 	AER
Energy consumption for residential customers (mean, median and mode) <ul style="list-style-type: none"> • All customers and customers on the hardship program 	Additional

Additional areas of retail market activity	Proposal
Compliance and Performance Audits (from the AER) <ul style="list-style-type: none"> • By jurisdiction and retailer (number and description) • Summary of annual activity 	Additional
Assistance to customers. Qualitative report on: <ul style="list-style-type: none"> • Engagement with third parties and the community (arrangements with community or financial counselling organisations, and provision of services for disability, equity, or access). • Energy consumption and use, including the provision of energy audits. 	Additional

Handling of customers in payment difficulties	Proposal
<p>Energy debt for residential customers not in a retailer hardship program</p> <ul style="list-style-type: none"> • Number of customers repaying an energy debt • Average amount of energy debt • Number of customers with energy debt > \$500 • Number of customers with energy debt > \$1,000 <ul style="list-style-type: none"> ○ Collected and reported quarterly 	AER
<p>Energy debt</p> <ul style="list-style-type: none"> • Number of customers with energy debt > \$3,000 	Additional
<p>Billing and notice path for residential customers</p> <ul style="list-style-type: none"> • Number of bills issued and number of bills paid by the due date • Number of payment extensions given • Number of late payment fees charged and number paid • Number of reminder notices sent out • Number of disconnection warning notices sent out • Number of customers on a shortened collection cycle. 	Additional
<p>Flexible payment arrangements, residential customers only, quarterly</p> <ul style="list-style-type: none"> • Number of customers using a flexible payment arrangement <ul style="list-style-type: none"> ○ Number of customers using Centrepay • Number of customers where the flexible payment arrangement was terminated by the retailer as a result of non-payment 	Additional
<p>Payment plans, residential customers only</p> <ul style="list-style-type: none"> • Number of customers using a payment plan, as at end of month 	AER
<p>Payment plans</p> <ul style="list-style-type: none"> • New plans established during the period. For new plans: <ul style="list-style-type: none"> ○ Weekly \$ repayment rate (the arrears component only) ○ Number of weeks to complete the plan at that rate • Plans successfully completed • Plans cancelled by retailer and a new plan established • Plans terminated by retailer for non-compliance, no new plan • Customers with 2 or more plans cancelled for non-payment in last 12 months 	Additional
<p>Estimated accounts</p> <ul style="list-style-type: none"> • Number of bills issued in the quarter that are estimated 	Additional

Disconnection and Reconnection	Proposal
Customers disconnected for non-payment in the period, and Customers then re-connected within 7 days, same name and address <ul style="list-style-type: none"> Residential and small business, monthly 	AER
Residential customers disconnected for non-payment in the period, and Residential customers re-connected within 7 days, same name and address <ul style="list-style-type: none"> Currently on a retailers hardship program Previously on hardship program in last 24 months Previously on payment plan in last 24 months Receiving government energy concession through retailer Previously disconnected for non-payment in the last 24 months 	AER
Number of disconnections for non-payment <ul style="list-style-type: none"> By distribution network by retailer Where reciprocal contact made with customer after disconnection warning notice issued Retailer should not have arranged for disconnection (Rule 610) 	Additional
Number of reconnections, same name and address, after disconnection for non-payment <ul style="list-style-type: none"> Reconnections, total (to compare to reconnections after 7 days) Reconnections, total, by distribution network and retailer. Reconnections within 7 days, by distribution network and retailer. Average reconnection fee paid for reconnections within 7 days. 	Additional

Concessions	Proposal
Residential customers in receipt of an energy concession, quarterly	AER
Also, residential customers in receipt of an energy concession <ul style="list-style-type: none"> Disconnected for non-payment Reconnected within 7 days after a disconnection for non-payment On hardship program 	AER
Residential customers in receipt of an energy concession <ul style="list-style-type: none"> Using a PPM 	Additional

Security Deposits	Proposal
Number and value of security deposits held by retailers <ul style="list-style-type: none"> Residential and small business, total Residential, held for longer than 12 months Small business, held for longer than 24 months 	AER
Collected and reported quarterly, not annually	Additional

Prepayment Meters (PPMs)	Proposal
Total number of residential customers using a PPM <ul style="list-style-type: none"> • Number of PPMs removed due to payment difficulties • Number who self-disconnect three or more times in any 3 month period for longer than 240 minutes on each occasion 	AER
Total number of residential customers using a PPM <ul style="list-style-type: none"> • Number of PPMs removed for any reason • Number of customers on a concession 	Additional
For customers using a PPM where the PPM can report a self-disconnection <ul style="list-style-type: none"> • Number who self-disconnect by: 1, 2, 3 or 4+ times per quarter <ul style="list-style-type: none"> ○ Average duration of the self disconnections for each group • Customers who accessed emergency credit during the quarter <ul style="list-style-type: none"> ○ average number occasions accessed • Average number of recharges per customer • Average amount of credit on the PPM, end of the quarter 	Additional

Customer Service (call centre)	Proposal
For all customer categories combined; collect monthly and report quarterly <ul style="list-style-type: none"> • Number of calls to operator • Number and % of calls to operator answered within 30 seconds • Average time before an operator answers the call • Number and % of calls abandoned before answered by operator 	AER
For all customer categories combined <ul style="list-style-type: none"> • Use of the interpreter service for customers from a non-English speaking background • Use of a TTY (text telephone) or use of the National Relay Service for customers who have difficulty communicating by telephone 	Additional

Complaints	Proposal
Collect monthly, for residential and business customers <ul style="list-style-type: none"> • Total number of complaints, and for each of: <ul style="list-style-type: none"> ○ Marketing, Billing, Transfer, and Other 	AER
For each complaint category: <ul style="list-style-type: none"> • the number of complaints that are concluded or resolved within specified time limits 	Additional

Summary part 3 - Other key points from our detailed responses to the Issues Paper

While we generally support the proposed indicators in the Issues Paper, we do not support the proposals in the Issues Paper to:

- Collect direct debit payment and terminations specifically, but instead recommend reporting on all flexible payment arrangements.
- Not report on Centrepay. Centrepay should be reported as a subcategory of flexible payment arrangements.
- Report security deposits annually. They should be reported quarterly.

Regarding the performance and information reporting regime, we also recommend:

- Customer numbers are reported by fuel contract type. For each retailer and customer class, customer numbers should be reported by electricity (electricity contracts plus dual fuel contracts) and by gas (gas contracts plus dual fuel contracts).
- Actual customer numbers are made available, not just proportions. A small threshold for reporting actual numbers is appropriate (the AER proposal is <500).
- Annual surveys of customers disconnected for non-payment (assuming that privacy issues can be addressed), to assess questions of vulnerability, whether the type, extent and quality of assistance provided was appropriate, and whether all the requirements under NECF2 have been met (such as reminder notices, disconnection warning notices, best endeavours to contact etc.).
- Reporting on concessions using the most accurate and reliable measure, whether that is by government energy concessions delivered through the retailer, or by concession card holder. Our current thought is that government energy concessions delivered through the retailer will be the most accurate and reliable measure given the variation in concessions available to concession card holders by jurisdiction.

For the Energy Affordability report, we recommend:

- A focus on lower income households.
- Reporting by jurisdiction since energy prices, fuel availability, and consumption profiles vary greatly between jurisdictions.
- Taking three perspectives: absolute, relative and consumption.
 - An absolute perspective should be based on the proportion of household income spent on energy by low income households.
 - A relative perspective should make an assessment whether energy affordability is getting worse, better, or staying constant. This should be based on changes in the proportion of household income spent on energy, changes in energy prices (including changes in average energy bills based on actual data), changes in prices of other essential goods and services (housing, food, water and transport), and changes in income and debt for low income households.
 - A consumption perspective through consumption profiles for typical households.

Introduction

The Ministerial Council on Energy is developing a national framework for regulation of the energy retail market. Under the framework, the Australian Energy Regulator (AER) will take the main role in regulation of energy retailers. The latest proposal for the national framework is the legislation, regulation and rules in the 2nd exposure draft of the National Energy Customer Framework (NECF2).

One of the AER's functions under the proposed framework is the administration of a national performance regime, including the development of AER Performance Reporting Procedures and Guidelines ('the Performance Reporting Guidelines') and national hardship program indicators. The Performance Reporting Guidelines will specify the information and data that regulated entities must report to the AER.

The AER will use the formal retail consultation procedure in NECF2 to make the final Performance Reporting Guidelines that will apply under the new legislation. To inform that final instrument, the AER has commenced preliminary consultation with stakeholders on the AER's approach to performance reporting and the development of the Performance Reporting Guidelines. The first step in the preliminary consultation was the release of an AER Issues Paper on Retail Market Performance Reporting ('the Issues Paper') and a call for submissions. This document is the QCOSS submission in response to the Issues Paper.

We welcome the consultation opportunities the AER is providing to stakeholders to allow them to contribute to the development of the AER's various functions under the proposed national framework, including performance reporting. We note that the AER is consulting separately on the development of national hardship program indicators, but for the formal consultation process is proposing to include the hardship program indicators with the wider Performance Reporting Guidelines. We support this intention since we do not believe the hardship program should be examined in isolation. We also welcome the intention of the AER to conduct further rounds of preliminary consultation on performance reporting and national hardship program indicators.

General comments on reporting

Performance and information reporting and the Issues Paper

We believe that the 'performance regime' in NECF2 is better thought of as the 'performance and information reporting regime'. The purpose of some of the proposed indicators in the Issues Paper is clearly about providing information about the energy retail market and retailer activities. These information indicators are a critical component of the regime since they provide context and background to the retailer performance indicators, and can also inform policy making.

One area where information reporting can inform social policy rather than report directly on retailer performance is around assistance to customers experiencing long term payment difficulty. These customers struggle to match consumption to their capacity to pay. Providing assistance to help move customers out of short term payment difficulties and to manage ongoing energy bills is

certainly something that an energy retailer should be judged on through performance indicators. However, overcoming chronic problems of low income and vulnerability is largely a societal issue. Information reporting that can help identify systemic or chronic problems in the energy retail market would be very valuable to policy makers and advocates for social policy.

We would therefore like to see the importance of these information indicators highlighted in the material produced by the AER. Hopefully this will reduce the attempts to have indicators removed on the basis that they do not directly reflect retailer performance.

In regards to the indicators that are intended to measure retailer performance, we believe that these indicators should measure both:

- the extent to which retailers meet the obligations on them under NECF2 (processes), and
- the effectiveness of a retailer meeting their obligations (outcomes).

Both of these approaches to performance reporting are important and need to be part of the reporting regime. By examining outcomes we can understand what processes are actually working, partly assess the quality of any requirements, and encourage a focus on both meeting obligations and on making the customer better off. As an illustration, consider the obligation on retailers to offer payment plans to customers experiencing payment difficulties. Reporting on the number of customers using a payment plan would partly measure the obligation on retailers to offer a plan. However, we want to encourage successful completions of payment plans. Since there is no obligation under NECF2 on successful completions, we should encourage this through reporting indicators on the rate of successful completions and the rate of 'broken' payment plan arrangements.

Issues Paper

We believe there are a number of positive elements to the approach the AER has proposed in the Issues Paper. In particular, we welcome quarterly public reporting in addition to an annual report. Quarterly public reporting of some indicators will allow for any problems to be identified by both the retailer and the AER as early as is practical.

In general we support the indicators proposed in the Issues Paper, with a few minor variations. However, we strongly argue that additional indicators are required in all areas but especially around the handling of customers in payment difficulties. While we welcome the energy debt indicators, more needs to be done around payment plans and the billing and notice path. Given that payment plans are one of the main items of assistance that retailers offer to customers in payment difficulties, we think it is essential that payment plan outcomes are measured. Information around bills paid on time and disconnection warning notices issued add value and context to the other indicators.

Our detailed responses to the questions in the Issues paper outline all the additional indicators we propose and why they are important. We have also included a full set of proposed indicators that incorporate both the AER proposals from the Issues Paper and our additional proposals.

We acknowledge that collecting and reporting on additional indicators will have a regulatory cost, especially in the establishment phase of new national indicators. However, any regulatory costs have to be balanced against the long term costs and benefits to consumers of performance and information reporting. We note that increased reporting of indicators such as customer service, complaints, security deposits and disconnections has helped to improve customer protections and the customer experience with retailers. We also note that information about the market can lead to intervention by the regulator or the development of social policy that will benefit consumers. We also argue that there are potential costs to consumers of not reporting certain indicators. If a lack of reporting around payment plans allows some retailers to continue to ignore a consumer's capacity to pay when establishing a payment plan, then this has a direct cost impact on consumers that might have been avoided.

Research program to look beyond and into the indicator reporting

There are limitations to what indicator data can be collected, and therefore there are limits to what a set of indicators can address. Even with the full set of indicators we propose there are areas of concern that are not, or cannot be, reflected in the indicators. These areas of concern include:

- customers who pay energy bills but go without other essential goods and services such as comfort, food, or transport (will not be identified by the indicators on payment difficulties)
- areas of the market not covered by the indicators, such as the number of contact attempts made by a retailer using 'best endeavours' to contact a customer
- obligations not carried out when they should have been such as payment plans offered to customers before a disconnection for non-payment is carried out
- errors in data reporting, and
- the quality of the customer experience, such as access to payment extensions, the ease of use of the call centre, the 'readability' of bills, or the availability of flexible payment methods.

We strongly recommend that the AER establish an annual research program to examine these areas of concern. A central element of the annual program should be a customer experience survey to fill in some of the gaps from the performance and information reporting regime, and to examine those customers that have "slipped through the cracks". An annual research program would also take some of the pressure off the indicator reporting in that indicators would not be the only source of information about the energy retail market.

While the annual research program should have a different area of focus each year, we recommend an annual survey of customers disconnected for failure to pay. Disconnection can have such a powerful impact on customers that we should check that retailers have met the obligations around

a disconnection, and we should examine the factors that can lead to a disconnection for a vulnerable or low income consumer.

The research program should also include larger once-off research projects about the energy retail market. To begin with we recommend that the AER conduct a research project to examine if reporting indicators by postcode data will add value to retail market or energy affordability reporting. We believe that a spatial analysis of the indicators would show both spatial and socio-economic bias. However, we support conducting a research project to examine if adding postcode data to the reporting would add value.

Public reporting

It is essential that the performance reports from the AER are presented to the public so that the critical information is readily accessible and easily understood. Information would be presented in priority order, and include only the most critical indicators for that year. Graphics could be used to demonstrate trends or differences, with the data included as appendices where it would be available for scrutiny and possible secondary analysis. There are also potential problems of perception and interpretation that the public reporting should try to avoid. In particular, the public reporting should clearly identify where information is being provided and where retailer performance is being assessed.

Retailers often comment that the public performance reporting by the jurisdictional regulators focuses on negative aspects. One of the purposes of public reporting should be to encourage retailers to improve performance. Highlighting good performance would add to this encouragement. Case studies would be one approach to highlighting positive outcomes. The AER could also investigate using a traffic light or report card approach, to clearly indicate both good and poor performance for the important indicators for that period. This would require the AER to comment on the absolute levels of each indicator, and highlight the best performing one or two retailers.

The AER should separate the information in the public report based on the customer numbers of each retailer. Some retailers will only have a small number of customers within a jurisdiction. It is quite possible for performance indicators to be affected by statistical anomalies in a small customer base. Any comparison between retailers with large and small customer bases may simply demonstrate this bias and a comparison of performance may not be valid.

Ideally, the AER would consult stakeholders on the structure and layout of the performance reports, so these kinds of ideas can be discussed. One approach would be for the AER to develop a 'mock' public report to allow specific comment from stakeholders on the form and presentation.

Some future directions for performance and information indicators

We believe there is scope for three additional areas to be included in the reporting regime: indicators by postcode; smart meter availability and use; and environmental reporting.

Spatial data is increasingly being collected, analysed and reported. The energy retail market should not be excluded. Reporting some indicators by postcode would allow for linking with data from the Australian Bureau of Statistics, creating the potential to examine any socio-economic biases in the retail market or in the performance of retailers. Reporting some indicators by postcode would also allow for consideration of problems like:

- the extent to which the benefits of retail competition are actually accessible to customers
- the extent to which spatial location impacts on the proportion of customers in financial difficulty (to potentially allow for better targeting of assistance measures), and
- spatial biases in the performance of retailers, particularly in regard to the handling of customers in payment difficulties.

Smart meters are being rolled out across the National Electricity Market (NEM) and have capabilities that, if used, will clearly impact on the retail market. There is likely to be value in establishing a reporting framework for smart meters before they begin to be used widely. We note that at least some of the data would be available from distributors, and some initial data could be included in the Performance Reporting Guidelines.

While environmentally related indicators from the energy retail market are outside the scope of NECF2, we recommend that the AER begin to collate existing environmental data from distributors and retailers. Environmental measures will impact on the retail market and the AER should be prepared to report this data when it becomes relevant. In addition to data on greenhouse gas, energy efficiency and green energy purchases, examples that will directly impact on network charges (and therefore retail energy) include residential and small business customers exporting electricity to the grid from micro-generators, and direct load control of appliances.

Detailed responses to the questions from the Issues Paper

1.0 Retail Market Overview

- ⇒ Before responding to the questions from the Issues Paper, we would like to make some points about additional information that should be collected and that would add value to the purpose of the Retail Market Overview – namely to highlight issues about the retail market in general, not about individual retailers specifically.
- ⇒ We recommend that the AER collect and report on NEM connected residential customers that are not customers of an authorised retailer. There are a number of entities that are likely to hold exemptions from being an authorised retailer, but who will be on-selling or supplying permanent residential customers. These residential customers will not be captured by any of the other indicators. The extent of these customers should be reported in the Retail Market Overview.

- ⇒ The reporting against customer numbers, market contracts and retail transfers is partly intended to examine the level and extent of competition in the retail energy market. We suggest two additional approaches to examine the level of competition:
- We strongly recommend reporting some indicators by distribution network, in particular the indicators in the Retail Market Overview (we also recommend disconnections by network). Each distribution network has different characteristics and faces different costs, resulting in different network charges. If a retailer chooses not to actively recruit customers on a distribution network because of the higher charges, there is a clear impact on retail market competition and this is the type of information that should be revealed through the Retail Market Overview. We note that reporting by postcode would allow for a similar analysis by aggregating the data. However, as previously mentioned, we recommend the AER conduct a research project to examine if postcode data will add value to retail market or energy affordability reporting.
 - We note that a Market Concentration Ratio could be developed from the customer number data. We support Uniting Care Australia in the recommendation that the AER actually publish it. There has been a lot of discussion about interpretation and perception of data, and we generally support the retailer position that the public reporting needs to be clear about what is being reported. But a Market Concentration Ratio (largest 3) is unambiguous – is the market oligopolistic in nature or not? The reason why a market might have a high ratio is a separate question. In a jurisdiction with a regulated price it may be driven by high distribution and transmission charges and high wholesale electricity prices. But the fact remains – a concentrated market is oligopolistic and customers have very little choice. A lack of choice, for whatever reason, is clearly relevant to the Retail Market Overview.
- ⇒ We recommend that the AER report on energy consumption data (kWh) for residential customers. While consumption will likely be included in the energy affordability report, we recommend quarterly reporting in the Retail Market Overview to provide context for other indicators. For example, seasonal and year on year increases in consumption would likely be reflected in the quarterly indicators on payment difficulties. We note that actual meter data may be available to the AER. It would be preferable if residential customers supplied by retailers could be identified, to allow for reporting by mean, median and mode to provide an indication of the distribution. We note that on-supply arrangements would likely not be included.
- We also recommend reporting on average consumption for customers in the hardship program. We believe it will be extremely useful to examine if there is an observable difference in consumption between the overall residential base and the hardship program customers. The data for hardship program customers would clearly need to be sourced from retailers.
 - We also recommend that average billing data (\$) be included in the energy affordability report (i.e., the average residential bill over the last year for all customers in the market). This would provide additional context to other indicators.

- ⇒ We recommend that the standard and market contract numbers also include customers on a market contract and using a PPM. We believe that the proportion of market contract customers using a PPM is relevant information to the retail market.
- ⇒ There are two other areas that will likely need to be reported against at some point, and the AER should consider whether these can be included now. They are:
 - Smart meter availability and use. Smart meters have capabilities that, if used, will clearly impact on the retail market. There is likely to be value in establishing a reporting framework for smart meters before they begin to be used widely. Rather than reporting by retailer, this data could be sourced from distributors for the retail market as a whole.
 - Environmental reporting. While this is outside the scope of the proposed legislation, there is likely to be value in the AER incorporating environmental information where it is beginning to impact on the retail market. For example, there are increasing numbers of residential and small business customers exporting electricity to the grid from micro-generators, and there will likely be an increased use of direct load control. Another example would be the number of residential customers with controlled load. At some point these will impact on network charges and retail prices. We recommend that the AER begin to collate relevant environmental data from distributors and retailers where it is already being collected and reported, to allow for an informed decision on when it becomes relevant to the energy retail market and should be reported.

1.1 Number of retailers and active retailers

Q 1. Is the definition of ‘active retailer’ proposed in this section appropriate for the purposes of the retail market overview?

- ⇒ Given that under s. 408 of the proposed Retail Law a retailer must be a member of an energy ombudsman scheme where it “sells energy to small customers or engages in marketing to small customers”, we agree that an ‘active retailer’ would be an authorised retailer that is either actively marketing energy or actually selling energy.
- ⇒ We note that authorised energy retailers that are not selling energy or marketing in a jurisdiction may be selling and marketing non-energy goods and services. We accept that this is outside the scope of the proposed energy legislation and the reporting framework.

Q 2. How frequently should the AER report on the number of:

(i) authorised retailers? (ii) active retailers?

- ⇒ We understand that in some situations a retailer is not ‘actively’ recruiting customers, most likely because there is no retail margin available in that market. However, changes in customer numbers would reflect activity to recruit customers, as would reports on marketing complaints from energy ombudsmen.
- ⇒ We do recommend that retailers notify the AER and energy ombudsmen or customer recruitment activity, especially door to door marketing.

Q 3. Is it appropriate for retailers to report whether they are actively selling energy in a particular jurisdiction or to a particular customer category on an ‘exception’ basis, by reference to an initial statement of activity?

⇒ It is appropriate for retailers to report to the AER on an ‘exception’ basis, advising the AER if the scope of their activity in a jurisdiction or a customer class has changed.

1.2 Number of customers

Q 4. How should the number of customers of each retailer be measured for the purposes of the retail market overview? (e.g. by reference to registered metering points or the number of customer contracts)

⇒ The number of customers should be measured by reference to customer contracts held on the final day of the reporting period. We agree with the Issues Paper that this would be more accurate than the number of registered metering points. For example, a large residential consumer may have two electricity metering points – one for the house and one for larger appliances like pool pumps that are on the off peak rate.

Q 5. What level of detail on the number of customers a retailer has in each customer category should be included in the retail market overview?

⇒ There are several ‘level of detail’ related questions here. Firstly, customer numbers should be reported by fuel type not by fuel contract. There are three basic categories of fuel contract - electricity only, gas only, and dual fuel. For each retailer and customer class, customer numbers should be reported by electricity (electricity only plus dual fuel contracts) and by gas (gas only plus dual fuel contracts). In this situation we are interested in reporting by fuel type.

⇒ Secondly, actual customer numbers should be available for the residential and small business customer classes for all retailers. It is current practice for jurisdictional regulators to publish actual customer numbers for retailers and we see no reason why this should not continue at a national level. Actual data allows for more accurate analyses and comparisons to be made with other indicators.

- However, we accept that a threshold might be sensible for very small customer numbers in the residential category (< 500).
- It would also be preferred from a presentation point of view for actual residential and small business customer numbers to be published in a table in an appendix with a percentage market share published in the body of the report.
- As a general principle, it is also appropriate to separate out the public reporting on retailers with large customer numbers from those with smaller numbers. Given that small numbers can lead to statistical anomalies we believe that the AER should have some flexibility in how the public information for smaller retailers is presented. For publishing percentage market share we agree that an aggregate of smaller retailers is appropriate.

⇒ Thirdly, we are comfortable with however the AER chooses to report on the numbers of large business customers. At this end of the retail market, consumption is more important than customer numbers.

Q 6. How frequently should this information be reported? (e.g. quarterly, six monthly, annually)

- ⇒ The customer number data has to be published in each public report (i.e., quarterly plus a consolidated annual report), to allow for examination of proportional information (% of disconnections, % of customers on a payment plan etc).

1.3 Number of customers with standard and market retail contracts

Q 7. What customer categories are relevant for the purposes of comparing the number of customers on standard and market retail contracts?

- ⇒ We agree with the proposal in the Issues Paper to report on contract type by the residential, small business, and small market offer customer categories. However, as mentioned earlier, we recommend that customers on a market contract include an additional subsection of those using a PPM.
- ⇒ The Issues Paper raised the idea of also reporting on energy concessions for each contract type. We note that energy concessions are the topic of Section 2.4 below, so our comments here are restricted to the context of contract type.
- ⇒ We believe that concessions by contract type, as suggested in the Issues Paper, may provide an indication of whether the benefits of competition are extended to customers in receipt of an ongoing energy concession through the billing system. Our preference would be to report on standard and market contracts held by retailers at the end of the year, where the customer was in receipt of an energy concession through that retailer at any point during the year. Note that a customer that received a concession while on a standard contract but was on a market contract at the end of the year would be counted if the concession was delivered by the same retailer. It may be most useful to collect this indicator on an annual basis, and report against customers receiving a government energy concession through a bill at any point during the 12 months.

Q 8. How frequently should this information be reported to the AER? (E.g. quarterly, six-monthly, annually)

- ⇒ We agree with the proposal in the Issues Paper to report the contract type information quarterly. We accept that reporting on concessions annually may better capture customers on a market retail contract and receiving a government energy concession.

Q 9. How might the number of customers on standard and market retail contracts reflect on retailer performance? On the retail market?

- ⇒ As we have noted earlier, not all the information that retailers will report will reflect on retailer performance. Where it does not, the public reporting needs to be clear on what the information represents. In this case, the breakdown between standard and market contracts will be more a reflection of the state of the energy retail market and which retailers are able to source energy at a price that allows them to be active in recruiting customers from a standard retail contract. However, the breakdown between contract types is still important contextual information about the state of the energy retail market and should be reported.

1.4 Customer transfers between retailers

Q 10. Is it appropriate to use transfer data from AEMO to inform this section of the retail market overview?

⇒ Given the options, then AEMO transfer data can be used. The customer number data (and proposed market concentration ratio) will reflect any underlying changes in market share.

Q 11. Is there value in identifying the number of customer transfers within particular customer categories? If so, which categories (residential, small business or large business) are relevant?

⇒ Since no-one questions the existence of competition at the large customer end, the focus should clearly be on small customers. It would be preferable to report transfers separately for the two small customer categories (residential and small business), followed by small customers as a whole. One reason is the very different marketing approaches to residential and small business customers, and the proposed reporting on marketing activity. Transfers would be an outcome of the marketing activity.

Q 12. How can data on the number of customers transferring between retailers inform a discussion of retail market performance?

⇒ They provide background information about the state of the retail market and the extent of customer “churn”, an indication of marketing activities by individual retailers, and an indication of whether increased retailer activity will flow through to changes in market share that last more than a quarter or two.

Q 13. If transfer data is collected from AEMO and from retailers, what considerations are relevant to an interpretation of overall trends in customer transfer data?

⇒ A comparison between the two data sets would give an indication of the extent of transfers from the AEMO data that are a change in address rather than a change in retailer.

1.5 Energy Affordability

Q 14. How can the relationships between energy prices, energy consumption and available income be interpreted in the context of energy affordability?

Q 15. What factors should inform that interpretation, and how?

⇒ As the Issues Paper points out, there are various approaches to the energy affordability report that can be taken. We present one approach below.

⇒ Note that the focus of our response is on residential customers. We believe that a broad assessment of energy affordability for small business customers would be worthwhile, but we do not offer any specific suggestions here.

⇒ We agree that affordability is about being able to meet or bear the costs of a product. In this case the product is sufficient energy to support basic household services and to allow a household to live in an adequate level of personal comfort.

⇒ We agree that discussions of energy affordability should focus on low income and disadvantaged customers. We note that the ABS has adopted the practice of using the households in the second and third deciles (10-30%) to describe low income. We recommend reporting by all income deciles to accommodate this.

- ⇒ We argue that 'energy' in the context of affordability should be electricity and gas combined since the product is really the services that energy can provide. There are other sources of energy in the market (particularly solar hot water and solar PV) but for lower income consumers the focus should be on the affordability of combined electricity and gas use.
- ⇒ We believe that energy affordability is largely driven by the relationships between:
- household energy consumption, both at a point in time and in total
 - the household's physical and behavioural capacity to reduce energy consumption, both as a short term response and as an annual total
 - household income
 - the price of both electricity and gas, and the availability of reticulated gas
 - the availability and payment rates of government energy concessions, grants or subsidies
 - the proportion of household income spent on energy, and
 - the proportion of household income spent on other essential living expenses including housing, water, food and transport.
- ⇒ One thing that arises from these variables is that energy affordability will need to be assessed at a jurisdictional level. A number of these variables will be different between jurisdictions. For example, a Tasmanian household may not have access to gas for heating and will therefore face a large electricity winter heating bill, while a typical Queensland household will face a larger summer bill. We therefore support the Issues Paper that energy affordability will need to be assessed on a jurisdictional basis.
- ⇒ As this question suggests what we want to do is examine these relationships, both at current levels and any changes over time, and interpret them in the context of energy affordability. To enable this, the AER could present three different perspectives of energy affordability: absolute, relative, and consumption. Each perspective would have limitations but would cover the main relationships and taken together would provide an overall view of energy affordability.
- ⇒ Firstly, a perspective of energy affordability in absolute terms should be provided.
- Contrary to the view expressed by the AER in the Issues Paper (p.18), we believe that the proportion of total income spent on energy (electricity and gas) by residential customers is an appropriate measure of 'absolute' energy affordability. It goes beyond identifying trends in energy costs relative to income over time. There has to be a threshold or baseline level where the energy expenditure for low income consumers is too high.
 - We note that a specific threshold or baseline may be problematic, especially from the perspective of the AER endorsing such a threshold. However, publishing the level of expenditure on energy would allow others to make this determination (we note that Uniting Care Australia recommends a baseline of 8% of household disposable income on electricity and gas).
 - The Issues Paper suggests that the AER would be able to provide an estimate of household expenditure on energy (assumed to be based on energy cost estimates

from the retail market and the household income measures published by the ABS). Note that since we are focusing on low income consumers, it would be preferable to examine energy expenditure by income deciles (0-10%, 10-20%, and 20-30%).

⇒ Secondly, a relative perspective should be provided on whether energy affordability over the last 12 months has gotten better, worse or has stayed constant.

- Year to year changes in the proportion of total income spent on energy by low income residential customers is clearly relevant here. If this proportion is increasing over time, then energy affordability is getting worse.
- There are three other factors that can give a relative perspective on energy affordability:
 - (i). Energy prices
 - (ii). The existence of competing demands for income from other essential goods and services, and the impact of changes in their prices, and
 - (iii). Household income and debt.
- Energy prices - the AER has put forward several options for examining energy prices. We recommend that the AER compile both a set of representative tariffs, and the amount paid per unit of consumption by residential customers only. The measure that we are looking for is the average annual bill (\$) per residential customer of all retailers. The report could then determine the percentage changes over time in both representative tariffs (forward looking) and average annual bill (backward looking).
- Competing demands for income (a) – in the first instance, changes in prices for competing demands for income should be included. Rather than looking at a basket of goods and services through the Consumer Price Index (CPI), we recommend a more specific focus on price changes in the other essential goods and services (housing, food, water and transport). The problem for low income consumers is that they have little discretion when purchasing these essential goods and services, and price changes in any of them will impact on a household's ability to cope. We recommend that water charges be included in the analysis. Water charges are increasingly being separated from rates, and in some jurisdictions (including Queensland) water consumption charges can be passed through to tenants. Most importantly, water charges are increasing strongly in most parts of the country. It would still be worthwhile to include the CPI for comparison purposes.
- Competing demands for income (b) – an additional (and perhaps more useful) measure is the proportion of income spent on each good and service. As the Issues Paper states, a useful source for this information would be the ABS Household Expenditure Survey (HES) which runs every 6 years. We agree that it would be ideal if the AER would be able to supplement the HES with more frequent surveys. There are customer surveys taking place both nationally and at a jurisdictional level that the AER may be able to “piggyback” on and acquire relevant data for an acceptable cost. In some cases it may be possible to incorporate results from existing surveys in the years where the HES is getting out of date. The responses to Question 19 below should reveal some of these surveys or data sources.

- The third factor that can provide a relative perspective is annual changes in household income and debt, by income deciles or quartile. Household income over time is available from the ABS. We are most interested in income changes at the lower end. Aggregate household debt levels over time are available from the Reserve Bank of Australia (“Lending and Credit Aggregates”). While debt is separated into housing and other debt, it is not disaggregated by income. The ABS will on occasion estimate household debt by income, based on the Survey of Income and Housing. When available, this data should be included.
- With information on each factor, we can then examine the relationships between each of the four factors (the proportion of total income spent on energy by low income residential customers; energy prices; competing demands for income from other essential goods and services; and household income and debt), and make an overall judgement on whether energy affordability over the last 12 months has gotten better, worse or has stayed constant.
- For example, energy affordability would be getting worse if energy prices are increasing faster than household income for those on the lowest income, and would be getting much worse if in addition, the prices of the other essential goods and services are increasing faster than income. This would be reflected in increases in the proportion of total income spent on energy by low income residential customers.
- Two other areas can also be examined to help with the assessment of relative affordability: government energy concessions and the energy debt levels in the market.
- Government energy concessions and subsidies – the availability and level of government support for energy has a direct link to affordability and is particularly relevant for low income consumers. The two important pieces of information are the number of customers actually receiving a benefit and the amount of the benefit. We recommend that both concessions delivered through the energy bill, plus grants or subsidies delivered to the customers, are included. We also recommend that the information is reported on a concession or grant basis given the difference in value of each benefit. Data could be sourced direct from government agencies (especially for grants or subsidies) or from retailer reports to government. There would be overlap in the customer numbers (the same customer receiving multiple benefits) so the data would have some limitations. However, concessions data would still be an indicator of energy affordability – if more customers are moving onto energy concessions then energy affordability is likely to be worse in the coming year.
- Energy debt levels – energy debt of the residential customer base is the most obvious expression of payment difficulties. Changes over time in the amount of energy debt and the number of customers in energy debt would reflect energy affordability. We support the proposal in the Issues Paper is to collect energy debt levels (see Section 2.1.1 below) and recommend that this information be included in the energy affordability report.

⇒ Thirdly, we agree with Issues Paper that consumption profiles could be developed to examine the possible impacts of changing energy costs on a set of reference households.

- Consumption levels, and changes to consumption over time and in response to energy prices, are a factor in energy affordability. The main analysis would be the difference in annual energy costs based on representative tariffs in place a year ago and current tariffs.
- Using a reference household approach would also allow different physical and behavioural capacities to reduce energy consumption to be included.
- To develop meaningful consumption profiles for each jurisdiction, we recommend considering a range of factors, such as:
 - Income levels: we suggest low and median
 - Energy source used: we suggest 100% electricity; 75/25 and 50/50 electricity and gas
 - Dominant appliance response: we suggest air conditioning electricity load in summer and space heating in winter.
 - Response to available tariffs: we suggest two, namely 'accept the typical tariff' or 'choose alternative tariff types'.
 - Typical tariffs (flat rate domestic, or 50/50 domestic and off-peak)
 - Alternative tariff types, such as time of use tariffs or PPM
 - Consumption levels: we suggest low, average, high
 - Consumption responses to price: we suggest 'none' and 'active'. An active response would involve a short term response to price signals (such as time of use) and an overall 5% reduction in annual energy consumption.
- For gas it may be relevant to have a single gas tariff and only limited gas consumption profiles for each jurisdiction based on appliances.
- Not every combination of the factors would be relevant. Three examples that would apply to most jurisdictions would be:
 - (i). low income, 100% electricity, on the standard domestic tariff, low consumption, no consumption response
 - (ii). low income, 100% electricity, on the standard domestic tariff, high consumption, no consumption response
 - (iii). low income, 75/25 mix, actively managing tariffs, time of use tariff, average consumption, 5% reduction in annual consumption.
- The Issues Paper lays out some possible sources of data for the consumption profiles. One additional source to consider would be distribution companies who will increasingly have actual consumptions profiles from smart meter installations (and may in fact have some reference consumption profiles already).
- As the Issues Paper suggests, it will be necessary to adjust or reset consumption profiles over time. In particular, actual customer responses to time of use or similar tariffs could be added to the consumption profile once this is available from smart meters. Again, the distribution companies may be able to help in this regard.

- ⇒ Taken together the proposed absolute, relative and household consumption perspectives on energy affordability would provide an overall view of the context for energy affordability in the retail energy market.
- ⇒ From the available information, the AER could provide both a forward looking and a backward looking view of energy affordability. That is, was energy affordability likely a problem in the last 12 months, and how much of a problem might energy affordability be in the coming year? Was this reflected in the data reported by retailers to the AER regarding customers in payment difficulties? What are the possible impacts on the data that will be reported by retailers over the coming year?
- ⇒ Finally, if energy price rises are one of the main factors in energy affordability, it would be relevant and instructive to provide a breakdown of energy costs for each jurisdiction. For example, a pie chart showing the contribution of each component of energy costs (including transmission, distribution, wholesale energy, retail cost, and retail margin).

Q 16. Which approach provides the most valuable indication of cost for the purposes of assessing energy affordability? Are there other approaches to the estimation of energy costs that the AER should consider?

- ⇒ We agree with the approach of developing a representative tariff sample. While there are limitations to this approach, the main point will be developing a reasonable estimate of energy costs so that broad changes over time can be examined. The tariffs should cover standard and market contracts, off-peak, and any 'responsive' tariffs such as time of use. These would then be applied to the reference household types. The percentage change in tariffs over time would provide a relative perspective, although for this purpose it would be acceptable for the AER to simplify the tariffs further into 'typical' energy prices.
- ⇒ However, it would be sensible to also report the amount paid per unit of consumption based on aggregate data. Given the simplicity of this measure, it would be a meaningful addition to the relative perspective of energy affordability.

Q 17. If the estimation of energy costs is to be based on assumed consumption profiles for 'typical' customers, what customer groups can be reliably identified for this purpose?

- ⇒ The approach we suggest under Q.'s 14 and 15 is to create some reference households based primarily on energy consumption, an assumed consumption response to prices, the energy mix for the household, and a seasonal appliance response. Again, the main point will be developing reasonable estimates of consumption so that broad changes over time can be examined.

Q 18. If the estimation of energy costs is to be based on available contracts in the market:

(a) Should the assessment of energy affordability for small customers be limited to standing offer tariffs, or should market offers be included?

- ⇒ Both need to be included since market offers can potentially be very different to standing offers (10% lower prices have been offered in the past). We note that market offers will also contain the 'active' tariffs, which can be very different to the standing offer.

(b) If standing and market offer tariffs are included, is there value in separating the two for the purpose of reporting on affordability?

⇒ Yes, if the reference household approach is adopted then there is value in assessing the impact of the standing and market offer tariffs separately. If our approach to consumption profiles is adopted then there will be a natural separation into standard and active tariffs.

(c) Should all market offer tariffs be included in our assessment, or would a sample be sufficient?

⇒ A 'representative sample' by jurisdiction would be sufficient for the purposes of the energy affordability report and to examine broad changes over time,

Q 19. What other data sources are available to the AER to assess customers' capacity to pay for energy?

⇒ The Office of Economic and Statistical Research in Queensland has previously undertaken surveys on household expenditure on energy for the Queensland Government. There may be scope for the AER to share costs and information with the Queensland Government for supplemental surveys in Queensland to 'fill the space' between each HES.

Q 20. Is it appropriate for the AER's energy affordability reports to include information on affordability for business customers? If so, what sources of annual revenue data for business customers could the AER draw on?

⇒ Yes, it is appropriate to include information on energy affordability for small business customers. Perhaps the most instructive approach would be to present some detailed case studies of small business customers and provide a commentary on energy affordability issues based on the case studies. The case studies could include small business customers in a very competitive environment where energy is both a relatively low and high proportion of total costs. Examples might include dry cleaners and locally owned fast food outlets like fish and chip shops.

Q 21. Would case studies on customers' experience of energy affordability be valuable to stakeholders?

⇒ Yes, we think that a selection of anonymous case studies would be valuable. Real life examples can add value to a discussion.

Q 22. What should such case studies focus on?

⇒ It would be important to highlight a range of examples of energy affordability and the operation of the customer protections in each case. The case studies should include situations both where energy affordability is a real problem and where it is manageable, and variation in why energy affordability is a problem (low income, high consumption, competing demands, etc.).

1.6 Reporting requirements

Q 23. Is publication of quarterly retail market overviews appropriate, or is less frequent publication (e.g. six monthly, annual) of some or all indicators preferable?

⇒ Quarterly publication of the retail market overview, but with annual publication of the energy affordability report, is appropriate. Quarterly data is timely enough to allow for

identification of any potential problem areas (such as the transfer market slowing down) and would also allow for an examination of any seasonal trends.

Q 24. Is the publication of a single, annual energy affordability report appropriate, or is more frequent publication (e.g. quarterly, six monthly) of some or all aspects of the report preferable?

⇒ The energy affordability report is a critical part of the reporting regime, but the most important thing is having a useful report. It would be far more preferable to have a comprehensive annual report rather than less comprehensive but more frequent reports. Annual reporting is also sensible since many of the factors that drive energy affordability change infrequently (including electricity tariffs).

Q 25. What are the costs and benefits of breaking data for the various indicators in the retail market overview into shorter intervals within a reporting period (e.g. monthly)?

⇒ Quarterly data collection is appropriate for most of the indicators in the retail market overview. These are high level indicators and we are mainly looking for longer term trends. The only exception is retail customer transfers which can be reported monthly if the AEMO data is used.

Q 26. What concerns, if any, do you have regarding the ability to report data against the proposed indicators, and any costs associated with the reporting requirements?

⇒ The proposed indicators in the Retail Market Overview are not new, so retailers should have the ability to report against them. Based on the proposals in the Issues Paper, there is also very little additional information that retailers will be asked to provide regarding the energy affordability report. However, we would welcome a breakdown of regulatory costs from the AER if the retailers provide these.

2.0 Retail Market Activities Review

⇒ Before responding to the questions from the Issues Paper, we would like to introduce several areas of retail market activity that were not addressed in the Issues Paper.

⇒ We believe that additional information on audits of retailer activity and the assistance available and being provided to customers should be reported in the Retail Market Activities Review.

⇒ Compliance and performance audits of retailers are clearly an important activity in the retail market, and directly reflect on retailer performance. We recommend that the AER report on an annual basis the number of type of audits conducted over time. A summary of the performance and compliance audit outcomes for the past year (both good and poor performance) should also be provided. Interested readers could be directed to the actual audit reports for more information.

⇒ There are two broad areas of assistance from retailers that are also of interest:

- Engagement with third parties and the community, including any relationships or arrangements with community or financial counselling organisations, and provision of services to overcome potential problems of disability, equity, or access.
- Energy consumption and use, including the provision of energy audits.

- ⇒ We accept that quantitative reporting in these areas can be problematic and difficult to interpret (as discussed in the Issues Paper on hardship program indicators). This is especially true for energy audits which can vary greatly in quality and is also becoming a confusing space with a number of levels of Government providing subsidised audits.
- ⇒ However, we strongly believe that reporting in some way on these areas would provide important information for the market, allow retailers to differentiate themselves, and provide encouragement to some retailers to improve the assistance they provide. Therefore, we recommend that retailers provide an annual qualitative report on these areas. The report would include any quantitative data where relevant (such as the number of referrals to the telephone interpretative service or large print bills provided), plus a commentary to aid interpretation.
- ⇒ While retailers would have something of a free hand in the report, the public would also be in a position to at least judge, based on the report, the quality and quantity of assistance provided. That would be an improvement on no reporting at all. Retailers could certainly be questioned by community organisations if there are ‘anomalies’ in the reports provided. The regulatory cost would be limited since retailers would be free to report as they see fit. It would also provide an opportunity for retailers to provide positive reporting (such as effective relationships with financial counsellors), something that is usually in short supply in public performance reports.

2.1.1 Customers in energy debt and energy debt levels

Q 27. Do you support the inclusion of these indicators to monitor the number of customers in debt and their levels of debt? Which customer categories should be included?

- ⇒ Yes, we strongly support the inclusion of indicators to monitor numbers and levels of energy bill debt for residential customers. However we recommend that a third debt ‘tier’ of > \$3,000 be included to identify customers that are either accumulating debts over time or face very large annual bills.
- ⇒ We note the AER proposes to collect the data from each retailer but only to publish the debt levels for the retail market in aggregate. Given the commercial sensitivity of an energy debt profile for a retailer, we support the AER in this approach. We also note that the AER will receive data from each retailer and therefore would be in position to follow up on any queries arising from the data.
- ⇒ We also note that a given level of debt will mean different things for different customers. For example a \$500 debt for a customer with a \$2,000 annual bill may mean one quarterly bill is late, while a \$500 debt for a customer with an \$800 annual bill would represent ongoing issues. While we would welcome more detailed measures of energy debt that might better reveal this, such as (\$ of debt/average quarterly bill in \$), the suggested approach is simpler to report and will add almost as much value.
- ⇒ We understand that the proposed energy debt indicators will not provide a complete picture of payment difficulties. For example, there will be customers included in the data that are unwilling rather than unable to pay, and there will be customers excluded from the data that are in financial difficulties but choose to pay energy bills and go without other essentials. However, energy debt is an expression of payment difficulties in the energy retail market. Given that this section of the Retail Market Activities Review is about the ‘handling’

of customers in payment difficulties, then indicators that reveal some of the extent of payment difficulties must be included.

- ⇒ We agree with the views in the Issues Paper that the proposed indicators would provide some insight into whether retailers are identifying customers in payment difficulties and providing an early response. We also agree that they would also reflect wider social factors, but we see that as a positive. If there are external factors that are influencing the energy retail market then the more evidence that can be collected the more likely it is that a suitable societal response can be developed. Consumer organisations will certainly be the keenest advocates for increased Government support for retail energy customers.
- ⇒ We support collecting the data for residential customers not on the hardship program. We note that customers on a hardship program may well be accumulating debt over time even though they are being provided with assistance. Including these customers in the debt tiers may skew the data. We also support collecting the data on a quarterly basis, with the energy debt measured on the last day of the quarter. At an aggregate jurisdictional level, the proposed energy debt indicators should also be incorporated into the energy affordability report. Finally, we have an open mind on whether energy debt is relevant for small business customers.

Q 28. Is the proposed definition of ‘debt’ appropriate for the purposes of the retail market activities review?

- ⇒ We agree that debt can be defined as the dollar amount which has been outstanding to the energy retailer for 90 days or more. At that point it is clear that the customer is either having difficulty paying the bill, or is unwilling to. There will be customers in payment difficulties that are not in energy debt, but at this stage it is not possible to differentiate them from the rest of the customer base.
- ⇒ We also note that energy debt in this situation refers to ongoing debt for existing customers and not final debt where a final bill has been issued.

Q 29. What other indicators should the AER consider to monitor customers experiencing payment difficulties?

- ⇒ There are two areas where indicators can add value to reporting on customers in payment difficulties – the billing and notice path, and the number of bills that are estimated.
- ⇒ The Issues Paper noted that reporting on billing and notices may help identify which customers are experiencing payment difficulties. We disagree with the view in the Issues Paper that this information may not be useful. Our arguments are outlined below, but to clarify what we mean by the ‘billing and notice path’, indicators should comprise:
 - Number of bills issued and number of bills paid by the due date
 - Number of payment extensions given
 - Number of late payment fees charged and number paid
 - Number of reminder notices sent out
 - Number of disconnection warning notices sent out
 - Number of customers on a shortened collection cycle.
- ⇒ Billing and notices at an aggregate level (all retailers combined) would provide additional context for energy affordability and energy debt by revealing where in the path customers are paying bills. In particular, the indicators would provide the flipside of customers in

energy bill debt, namely customers paying bills by the due date or before a warning notice is issued. The indicators also represent some of the main activities in the retail market, including those activities that 'touch' all customers apart from those on PPMs.

- ⇒ However, of most importance will be changes in the on-time payment rate and the rate of issue of notices. The Issues Paper argues that since there are customers that delay payment on purpose, the number of reminder notices or disconnection warnings may not reflect that a customer is in payment difficulties. We disagree. We accept that there will be an underlying level of customers that will choose to delay payment. However, we believe that the pattern of this 'background' rate of customers delaying payment will only change slowly over time. Therefore, any large changes in the pattern of payment rates are likely to indicate broader changes in the energy retail market.
- ⇒ For example, if fewer customers are paying on time and more reminder and disconnection warning notices are being issued, then energy affordability is likely getting worse and more customers will be in danger of going into debt or being disconnected in the near term. This type of information would clearly be relevant to stakeholders.
- ⇒ The billing and notice path at a retailer level will provide additional information, including:
 - the number of payment extensions provided. A payment extension should be seen as a positive response from a retailer and should be highlighted. As the Issues Paper suggests, payment extensions may also provide useful information on the extent of customers in short term difficulty.
 - whether late payment fees (assuming they are allowed to be charged) actually increase the rate of bills being paid on time.
 - the pool of customers of a retailer that are close to a disconnection. This pool would be made up of the customers on a shortened collection cycle, plus the number of disconnection warning notices sent out.
- ⇒ The data should be collected and publicly reported on a six monthly basis. Given that bills are often issued quarterly, and given the time lag between bill issue and disconnection, quarterly reporting would not be appropriate.
- ⇒ The other indicator we would like to see is the number of bills issued in a quarter that are estimated (not based on actual meter data). This indicator is currently being reported in Victoria and Tasmania. This information is of relevance to payment difficulties since estimated bills can lead to a much larger 'catch-up' bill. Retailers will often under-estimate a bill rather than risk an over-estimation. A customer may not realise that bills are being estimated, and because the bills are lower can feel like they are managing their ongoing energy payments. When the much larger catch-up bill arrives they can be unprepared and can fall into payment difficulties. We recommend that an indicator on estimated accounts be included.

2.1.2 Direct debit plans terminated as a result of default/non-payment

Q 30. Do you support the inclusion of these indicators?

- ⇒ Rather than reporting on direct debit, we would prefer reporting on customers using flexible payment arrangements in general. By 'flexible' we mean arrangements where customers are able to make more frequent payments than a 'lumpy' quarterly bill. They would not

include debt repayment arrangements (payment plan) but would rather reflect an ongoing payment option. We note that previous work on effective hardship policies for utility customers has recommended flexibility in payment options as a debt prevention strategy. We also note that the minimum requirements in NECF2 for a hardship policy include flexible payment options for energy bills.

- ⇒ We therefore argue that reporting against the number of customers using a flexible payment option is a positive measure and indicates the customers that are actively managing energy bills and trying to prevent the accumulation of debt. The availability and use of flexible or periodic payment arrangements should be encouraged.
- ⇒ We also recommend reporting the terminations by a retailer of a flexible payment arrangement. While terminations will include customers that are not necessarily in payment difficulty, a high rate of terminations would be a matter of concern. It would be preferable to collect those terminations where a fee was incurred by the customer, since this would be a less ambiguous measure.
- ⇒ The most relevant information is that customers are accessing a form of flexible payment, rather than the type of payment option. We are comfortable if an aggregate customer number is provided on a quarterly basis rather than a complete breakdown. The one exception is Centrepay, which we argue should be reported as a subcategory (see Q.33). The indicators should be published quarterly.
- ⇒ Retailers should provide to the AER a definition of the flexible payment arrangements they offer so that a judgement can be made if the payment type is 'flexible'. We also recommend that on an annual basis, a breakdown of the number of customers using each type of payment option is provided to the AER.
- ⇒ The indicators we propose are (to be collected and published quarterly):
 - Number of customers using a flexible payment arrangement, at end of the period
 - Number of customers using Centrepay (see Q.33 below)
 - Number of customers where a flexible payment arrangement was terminated as a result of non-payment, during the period.

Q 31. What are your views on whether customers on retailers' hardship programs need to be reported separately as part of these indicators (given it is unlikely their payment plans will be terminated whilst on the hardship program)?

- ⇒ If the indicators we propose above are included, then it is preferable that customers on a hardship program are not included. These customers will automatically be offered a flexible payment arrangement so would skew the purpose of the indicator.

Q 32. For which categories of customers (in addition to residential customers) should retailers report on direct debit plan terminations? In particular, we welcome views on whether it is appropriate to report on these indicators for small business customers.

- ⇒ We agree with the proposal to only report on payment arrangements for residential customers. We also agree that these indicators can be collected quarterly by the retailer. We recommend that they be included in the public quarterly performance reports.
- ⇒ In regard to dual fuel contracts, we suggest that the proposed indicators be based on fuel type. This means that customers on dual fuel contracts would be added to both the

electricity and gas customer numbers. At the same time the terminations for customers on dual fuel contracts would be added to the termination numbers for both electricity and gas. That is, the total number of electricity customers for a retailer is the sum of the electricity only and dual fuel contracts.

2.1.3 Information on payment methods, including Centrepay

Q 33. Do you support the AER's preliminary position not to collect information on payment methods, including Centrepay?

- ⇒ No, we disagree with the proposal in the Issues Paper not to report on Centrepay. Centrepay is one of the best ways that potentially vulnerable customers (i.e., those receiving a recurring payment from Centrelink) can budget for essential goods and services. The option to have a regular amount deducted from Centrelink payments means that vulnerable customers are far less likely to face the problems of a 'lumpy' energy bill every quarter.
- ⇒ The Issues Paper does point out that under NECF2 retailers are not required to offer Centrepay. But Centrepay clearly supports some of the main purposes of the customer protections in NECF2 – it allows potentially vulnerable customers to better manage their energy bills on an ongoing basis, to help prevent the accumulation of debt, and to reduce the chances for disconnection. We understand that Centrepay is a more expensive payment option for retailers, but it is very beneficial for customers and its use should be encouraged. The public reporting should highlight those retailers that offer Centrepay in a positive light.

2.1.4 Payment plans

Q 34. Do you support the inclusion of these indicators?

- ⇒ As the Issues Paper points out, payment plans are a common option provided by retailers to customers in payment difficulties. We note that a new obligation was added to NECF2 that requires retailers to offer payment plans to customers experiencing payment difficulties, not just customers on the hardship program.
- ⇒ We support the inclusion of the indicator on the number of customers using a payment plan. We agree that retailers should also report against the proposed indicators around disconnection and reconnection for customers previously on a payment plan. For customers that are unable to pay energy bills, disconnection is a very painful and dislocating event. Any additional context for disconnections is very welcome.
- ⇒ However, we note that there is really only one proposed indicator on payment plans – the number of customers using a plan. The other two indicators are really about disconnections and reconnections, and are used as an indicator of potential vulnerability.
- ⇒ Given the relative importance of payment plans, we strongly believe that additional indicators on payment plans should also be collected. We are interested in the extent of 'broken' arrangements, the number of successful completions, and measures of the 'suitability' of new payment plans.
- ⇒ Regarding suitability, the NECF2 obligations on retailers include payment plans being established with regard to a customer's capacity to pay, amounts outstanding, and a customer's expected energy consumption over the next 12 months. Also under NECF2, a

retailer is not required to offer a payment plan if a customer has had two payment plans cancelled due to non payment in the last 12 months.

- ⇒ We believe that the intent of 'having regard to' is about establishing a payment plan that is suitable for a customer's circumstances. A poor outcome would be where a customer accepts a payment plan that is unsuitable to them based on their capacity to pay and expected energy consumption. Not only will the inevitable default result in increased debt in the short term, but in the longer term there will be a heightened sense for the customer that engaging with the retailer will not help them.
- ⇒ An even worse outcome would be if a customer accepts two unsuitable payment plans in 12 months, and then has these plans terminated due to the inevitable non-payment. These customers are immediately more vulnerable to debt accumulation and disconnection since a retailer is not required to then offer them another payment plan.
- ⇒ Unfortunately, the anecdotal evidence is that unsuitable payment plans are being established for customers that are unable to pay energy bills (as opposed to customers unwilling to pay). In particular, jurisdictional ombudsmen and regulators have commented that some retailers continue to offer 'one size fits all' payment plans (e.g. current debt plus expected billing for the next 12 months divided by 48 weekly payments). These are simply inappropriate for some customers having short term difficulties, and clearly do not have regard to the current capacity to pay of the customer.
- ⇒ The additional indicators that we propose would help with assessing retailer performance are:
 - Number of new payment plans created during the period
 - For new plans created, average weekly repayment rate in \$ (arrear component only, not ongoing consumption)
 - For new plans created, average number of weeks to complete the plan at the repayment rate (pay off the arrears)
 - Number of payment plans successfully completed during the period
 - Number of payment plans cancelled by retailer and a new plan established
 - Number of payment plans terminated by retailer due to non-payment by customer
 - Number of customers who have had two or more payment plans cancelled due to non-payment in the last 12 months
- ⇒ The single indicator on customers using a payment plan would allow for an assessment on customer access to payment plans, plus allow for a judgement on the level of assistance being provided by retailers. However, the additional indicators proposed above would add far more value.
- ⇒ An unambiguous measure of success (for both the customer and the retailer) would be the number of payment plans completed during the period. 'Broken' arrangements would be measured through the number of plans terminated for non payment, and a high number of terminations would be a sign that suitable plans are not being offered. The number of customers who have had two more plans cancelled would be a measure of increased vulnerability. Success or failure (broken arrangements) cannot be measured through the indicators proposed in the Issues Paper, yet are perhaps more important than access.

- ⇒ The suitability of payment plans and the assessment of capacity to pay can also be assessed through the two indicators for new plans created (weekly repayment rate and repayment term). These indicators are currently being reported in the UK to the regulator, OFGEM.
- ⇒ Relative changes in each measure can provide an indication of payment plan suitability. All else being equal, the repayment rate (\$) should increase over time (in line with inflation and household income) while the repayment term (# of weeks) is relatively constant. That is, average capacity to pay should increase over time. However, if energy debt is increasing quickly then both repayment rate and repayment term would be expected to increase. This is because average capacity to pay would not have changed as quickly, meaning that a suitable response from a retailer should include extending the repayment term.
- ⇒ We note that OFGEMs *Domestic suppliers' social obligations 2009 report* included the average repayment rate and repayment term during the UK recession of 2009. Rather than both the rate and term increasing in response to sharply higher energy debt, only the repayment rate increased. This would be an indicator that capacity to pay may not have been taken into account when creating new payment plans, a breach of UK obligations on retailers. Given the NECF2 obligations on payment plans being established having regard to the customer's capacity to pay, we recommend that these indicators also be reported in Australia.
- ⇒ We accept that a retailer should not have to offer a payment plan where a customer's capacity to pay is such that a regular payment amount would be well below current consumption levels. However, that should be point where the retailer should offer other assistance including:
 - access to the hardship program if appropriate
 - referral to financial counselling services, either internal or external
 - tariff reassignment if there is a more appropriate tariff
 - information on government subsidies or grants, and
 - access to energy auditing and appliance replacement programs.

Q 35. What are your views on the definition of a payment plan?

- ⇒ The definition of a payment plan is a potential problem area. Our view is that payment plans should refer to arrangements where arrears are involved. Typically, such a payment arrangement would include a component of debt and a component of ongoing consumption. If an amount in arrears is not included then it is a flexible payment arrangement.
- ⇒ There are also a wide range of payment plan arrangements between retailers, and there may also be multiple plan types available from a given retailer. To begin with there will be differences in repayment rate and term, and payment incentives. A customer may also transition from a payment plan for financial difficulties to a payment arrangement that is for budgeting purposes, and this transition would need to be accounted for. We also accept that depending on how a retailer manages payment plans, "using a payment plan" may include customers that have not paid the most recent instalment.
- ⇒ We should not be trying to limit the scope of retailer payment plan arrangements. At the same time, we need a clear definition to understand what the payment plan arrangements mean for each retailer. Plans should not be counted that are clearly for budgeting or convenience. We suggest the following approach:

- The AER provide a set of guidelines for what could be considered a payment plan. We support the general guidelines from the Issues Paper, namely:
 - At least three instalments, does not include customers on a hardship program, and are not for budgeting or convenience but are repaying an outstanding amount.
- Require each retailer to also provide a more specific definition of the payment plan arrangements they are reporting against. If a retailer has five different payment plans, then five definitions would be provided. Note that the indicators would not differentiate between payment plan types (a combined number would be reported by each retailer). Rather, a judgement would need to be made by the AER as to whether a particular payment type represented a payment plan.

⇒ We also suggest that collecting and reporting against the additional indicators we have suggested would assist in the interpretation of customer numbers.

Q 36. What are your views on reporting payment plan information for different categories of customers — in particular, residential, hardship and small business customers?

- ⇒ We agree that reporting on payment plans should not include customers on the hardship program. The national hardship program indicators will cover these customers.
- ⇒ We also agree that payment plans arrangements should be reported for residential customers only.

2.1 De-energisation (disconnection)

Q 37. Do you support the inclusion of these disconnection indicators in the areas set out above?

- ⇒ Yes, we strongly support the inclusion of the proposed disconnection indicators. Many of the customers that are disconnected for non-payment are unable to pay energy bills (as opposed to unwilling to pay) and we agree with the Issues Paper that the number of disconnections is a critical indicator for the reporting regime.
- ⇒ We support the collection and reporting of the number of disconnections for small business customers. We agree with the Issues Paper that disconnections for small business customers are partly a reflection of wider economic conditions, but they are also partly a reflection of the state of the energy retail market. The information benefit for policy makers and market observers makes them worth reporting. If energy prices are rising and so are the disconnection rates for small business, then policy responses may be warranted.
- ⇒ We also support the other disconnection indicators. We believe they provide not only specific information such as the rate of customers disconnected that are recipients of an energy concession, but also provide essential context for the total disconnection numbers.
- ⇒ However, we believe that some of these disconnection (and reconnection) indicators would be much less important if there was a regular survey of disconnected customers as part of ongoing AER research. The customer survey data could then be compared to the retailer data for the same customer. We note that surveys of customers would have to address privacy issues, but such concerns have been overcome in the past.
- ⇒ The indicators are examining disconnections of potentially vulnerable customers. A survey may better address the question of vulnerability, engagement by the retailer and the

customers, and whether the customer should have been provided with different assistance to remain connected. A survey would also check whether all the requirements under NECF2 are followed, especially a reminder notice, disconnection warning notice, best endeavours to contact, and the offer of a payment plan. Given the impact of a disconnection on vulnerable customers, we strongly recommend an annual survey.

- ⇒ We also believe that three other areas in disconnections should be reported: disconnections by network; contacts made before a disconnection; and disconnections that should not have been arranged.
- ⇒ We also raise the possibility of reporting on disconnections where the customer has 'skipped' out on a bill. That is, the premises is either vacant at the time of disconnection or a new tenant is present. This would add context to the reconnection indicators.
- ⇒ Disconnections by network – this is an indicator that could be reported by distribution entities (disconnections for non-payment by retailer and by network), both as a check against the retailer numbers and to examine if there is any spatial or market bias in the data. We note the recent problems in Queensland with reporting of disconnections, where the numbers from the distribution entities were very different from those reported by the retailers and highlighted some definitional issues. Given the relative importance of disconnections, we strongly suggest reporting disconnection for non-payment by network by retailer to ensure the reported data is valid. We also note that where jurisdictions have multiple network entities, there is a separation between metropolitan and rural/ regional. Reporting by network would identify any spatial bias that may need more investigation.
- ⇒ Contact with a customer before disconnection – Under Rule 605(d) of NECF2, a retailer must use 'best endeavours' to contact the customer regarding the failure to pay. Retailers comment that one of their biggest problems is actually making contact with a customer to discuss the non-payment. On the other hand community organisations regularly comment that disconnected customers did not hear from the retailer. We therefore strongly recommend reporting against the reciprocal contacts made prior to a disconnection for non-payment. A reciprocal contact is one where the customer actually responds to the retailer (e.g., phone conversation, email, returned text message, home visit etc). Ideally, there would also be an indicator on the contact attempts made (by type) so that a judgement could be made on "best endeavours". However, we recommend a focus on the rate of successful customer contacts, which is partly an indicator of how effective a retailer is at engaging with the customer and assisting them to remain connected to the energy supply.
- ⇒ Disconnections that should not have been arranged – Rule 610 in NECF2 outlines the situations where a retailer must not arrange a disconnection. This is a compliance issue and is likely to be addressed through compliance reporting. However, in the case of disconnections we would argue that reporting these numbers with the performance indicators is warranted. We note that this indicator would not include disconnections by mistake, or where a retailer has not met certain obligations (such as offering a customer a payment plan). A survey of disconnected customers may reveal the extent of any problems in this area, as would evidence from jurisdictions where such 'wrongful' disconnections are reported.
- ⇒ The three additional indicators that we recommend be included are:
 - Number of disconnections for non-payment, by distribution network by retailer (where the retailer is the one making the request for disconnection)

- Number of disconnections for non-payment where customers successfully contacted by retailer (reciprocal contact in some way)
- Number of disconnections for non-payment where, under Rule 610, a retailer should not have arranged for the disconnection.

Q 38. What are your views on monitoring repeat disconnections over a 24 month period?

- ⇒ We agree with the Issues Paper that a period greater than 12 months is warranted, to allow for development of customer history. The next most logical time period is 24 months.
- ⇒ We note that there will be a number of customers who are not captured by the indicator, including those switching retailers or who are able to change the name of the account holder.

2.2 Re-energisation (reconnection)

Q 39. Do you support the inclusion of these reconnection indicators in the areas set out above?

- ⇒ We support the inclusion of the reconnection indicators, and the proposal to collect reconnection data for small business customers, to match against the disconnection data.
- ⇒ We also support the use of 7 calendar days as a measure of customers that are staying in place and are trying to manage energy bills, which is a measure of potential vulnerability.
- ⇒ We note that NECF2 includes an obligation on a retailer to arrange a reconnection of a small customer if, within 10 business days, the customer has rectified any matter that led to the disconnection. This 10 business days is therefore a maximum time limit on the obligation on a retailer to reconnect a customer. This is a very different perspective to examining potential vulnerability and we therefore support the continued use of the 7 calendar day measure for reconnections.
- ⇒ We recommend that four additional indicators on reconnection also be included:
 - Reconnections in same name and address, total (to compare to reconnections after 7 days)
 - Reconnections in same name and address, total, by distribution network and by retailer.
 - Reconnections in same name and address within 7 days, by distribution network and by retailer.
 - Average reconnection fee paid for reconnections within 7 days.
- ⇒ We would argue that a much higher number of total reconnections compared to those within 7 days would be a cause for additional investigation on the reasons for the delay.
- ⇒ The reconnections by distribution network would again allow for a check of reconnection numbers, and also an examination of any spatial variation in the data. These indicators would be reported by distribution entities
- ⇒ The reconnection fee is an additional barrier to vulnerable customers. The size of the reconnection fee is therefore relevant information for disconnections. This indicator may be able to be reported by distributors.

Q 40. How should data and trends from these indicators inform an assessment of retailer performance in this area?

- ⇒ We agree with the Issues Paper that a reconnection within 7 days at the same name and address may indicate financial hardship. The indicator will partly measure the customers who are unable to pay an energy bill but have not skipped out on the debt. These customers have remained at the same location and tried to manage the situation (we also note that the indicator will also partly measure those customers unwilling to pay a bill). The indicator therefore partly measures the performance of retailers in identifying customers in financial hardship, and most importantly in engaging with the customer in a meaningful way and assisting them to remain connected to the energy supply in the first place.
- ⇒ Given that the anecdotal evidence is that some retailers are better at engaging with customers than others, and some retailers offer more assistance to customers in payment difficulties, we would expect some variation in this indicator between retailers. For example if there is a retailer with much higher rates of reconnections within 7 days, but there are relatively low numbers on payment plans or in the hardship program, then the performance of the retailer in identifying and assisting customers in payment difficulties might be questioned.
- ⇒ On a market wide basis, then a high rate of reconnections within 7 days should be assessed against economy wide financial concerns. For example, if the energy affordability report is suggesting that affordability is getting worse then a higher rate of reconnections across most or all retailers may not necessarily reflect retailer performance.

2.3 Concessions

Q 41. Do you support the inclusion of these concessions indicators?

- ⇒ We strongly support the inclusion of an indicator around ‘concessions’.
- ⇒ We support the intent in the Issues Paper that concessions in this context are either concession card holders or customers receiving a government energy concession through the retailer. (As we have mentioned in our response on energy affordability, we recommend that information on government energy grant or subsidy schemes be reported through the energy affordability report).
- ⇒ Our view is that concessions should refer to ‘customers in receipt of an ongoing government energy concession that is delivered by the retailer’. The ongoing energy concessions would include customers in receipt of medical or life support energy concessions.
- ⇒ We believe that receipt of a government energy concession is likely to be the most accurate and consistent method of identifying potentially vulnerable customers, as identified by the government’s concession criteria
- ⇒ We have some concerns over reporting by concession card holders. Where a jurisdiction does not offer an energy concession for a particular group of concession card holders, a retailer should not be expected to know that a customer is a concession card holder nor should a customer be expected to identify themselves as a concession card holder when they will not receive the benefit of an energy concession. The information that a retailer will know is the number of customers in receipt of an energy concession delivered by the retailer.

- ⇒ However, our main concern is that the indicator should be an accurate and consistent measure of potential vulnerability, and we are open to the final definition used.
- ⇒ We support the proposal to collect and report the number of concessions quarterly and for residential customers only. We also note the proposal in an earlier section regarding reporting on concessions by standard and market retail contracts. We also support the collection of concessions indicators under disconnections and reconnections, and for customers on hardship programs.
- ⇒ However, we recommend that concessions data be collected for customers on a PPM. The information from Tasmania is that a higher proportion of customers receiving an energy concession use a PPM arrangement versus a standard meter arrangement. This is very important contextual information about the energy retail market and should be reported.

Q 42. Given that the types and the eligibility for energy concession differ across jurisdictions, what issues might arise when seeking to identify trends in retailer performance at a national level?

- ⇒ As the Issues Paper suggests, it may be problematic when interpreting trends in concession numbers because the energy concessions are different between jurisdictions. To help overcome this potential problem, we recommend that in the energy affordability report the AER provide additional context for this indicator by listing the eligibility criteria and any payment details for each jurisdiction. A retailer's performance within a jurisdiction can then be assessed against the availability of the government concession and the size of the payment available. What appears to be a relatively poor performance by a retailer in one jurisdiction may be partly driven by the availability of energy concessions in that jurisdiction.

2.4 Prepayment meters

Q 43. What are your views on our proposed approach to monitoring PPM self-disconnection rates due to payment difficulties?

Q 44. What are your views on the other issues raised above in relation to reporting against these PPM indicators?

- ⇒ We believe that a more complete set of indicators on PPMs is required. In particular, since many of the existing PPMs are not able to report self-disconnection events, we believe that additional information should be reported on self-disconnections and potential hardship for customers using a PPM. We question whether the indicator on self-disconnections 3 or more times in a quarter, for 240 minutes a time, is based on data relating to hardship. This indicator is intended to identify customers that may be in financial hardship, but it may be based on what we expect for hardship rather than what the evidence shows. For example, hardship might be better measured through 4 self-disconnections per quarter of at least 120 minutes each. We therefore suggest that more data be collected and publicly reported. Over time, the extent of the information to be collected can be reduced.
- ⇒ We recommend the following data is collected (includes the proposed indicators from the Issues Paper):
 - Number of customers using a PPM, as at the end of the period
 - Number of customers in total reverting back to a non-PPM agreement, during the period
 - Number of customers reverting back to a non-PPM agreement under Rule 816 (customer experiencing payment difficulties), during the period

- Number of customers using a PPM where customer is in receipt of a government energy concession delivered through the retailer
- Number of customers using a PPM where the PPM is able to detect and report self-disconnections, as at the end of the period
 - Number of customers who self-disconnect three or more times in any three month period for at least 240 minutes on each occasion
 - Number of customers who self-disconnect for each of: 1, 2, 3 or 4+ times per quarter
 - Average duration of the self disconnections for each of: 1, 2, 3 or 4+ times per quarter
 - Customers who accessed emergency credit during the quarter
 - Average number occasions that emergency credit was accessed
 - Average number of recharges per customer using a PPM, during the quarter
 - Average amount of credit for customers using a PPM, as at the end of the quarter

⇒ We support the proposed indicator from the Issues Paper on PPM agreements where the meter is changed back to a standard meter because of payment difficulties. However, customers will revert back to a non-PPM arrangement for a variety of reasons. This is important information for the energy retail market, and can be used to estimate that amount of 'churn' in customers opting in and out of a PPM arrangement.

⇒ We strongly recommend that an indicator be included on PPM customers that are also in receipt of a government energy concession. As we pointed out in our response in the Concessions section, the evidence from Tasmania is that a higher rate of customers receiving an energy concession move onto a PPM agreement. This information should be monitored given that a customer on a PPM has far fewer protections from a disconnection event.

⇒ The additional information on self-disconnections, emergency credit, average credit and average number of recharges are intended to examine how PPMs are used. Over time this information requirement could be simplified. The other option is for the AER to conduct a research project targeted at suitable PPM indicators for customers in financial hardship. In that case there would not be a need to collect all the proposed data.

⇒ The PPM indicators should only be collected for residential customers. Provided the indicators listed above are included, we support the proposal in the Issues Paper to collect and report on the indicators on a quarterly basis.

2.5 Security deposits

Q 45. Do you support the inclusion of these security deposits indicators?

⇒ Yes, we support the proposed indicators on security deposits. However, where security deposits have been collected from customers during the year, we would like to see an annual statement from retailers on their security deposit policy and why they are collecting security deposits in this situation. Our position is that the collection of security deposits should be discouraged.

Q 46. What are your views on the timing and reporting issues raised in relation to the indicators?

- ⇒ In regards to the collection and reporting of the information, we are comfortable with annual reporting by the AER on security deposits. However, we recommend that the retailers be required to collect and report quarterly data to the AER. We note that security deposit data has been collected on either a monthly or quarterly basis by the jurisdictional regulators. There may be seasonality, trends or inconsistencies in the quarterly data that are not evident in the annual data, and it would be prudent to collect this information. For example, while the number of security deposits held has declined in recent years there have been 'spikes' in use by some retailers. We draw the attention of the AER to the security deposits held for small gas customers in South Australia over 2008/09. There was a clear spike in the number of security deposits held for the 2nd and 3rd quarters that was not evident in the number held on 30 June. We therefore recommend that quarterly data be collected to identify these trends and to allow the AER to request more information where appropriate.
- ⇒ The annual reporting by the AER should be based on the quarterly data, using security deposits held on the last day of each quarter. If over time the quarterly data do not show any patterns, then a move to annual data can be considered.

2.6 Customer service

Q 47. Do you support the inclusion of these customer service indicators?

- ⇒ Yes, we support the inclusion of the proposed indicators on customer service or call centre operation.
- ⇒ We recommend that two additional indicators also be included, related to access to customer service. The two indicators are:
- Use of the interpreter service for customers from a non-English speaking background
 - Use of a TTY (text telephone) or use of the National Relay Service for customers who have difficulty communicating by telephone.

Q 48. What other areas (if any) of retailer customer service might the AER seek to assess?

- ⇒ Apart from the additional indicators proposed above that relate to access to customer service, we support the idea presented in the Issues Paper of an occasional survey of the quality and useability of retailers' Integrated Voice Response (IVR) systems, to examine those aspects of customer service that are not captured by the indicators. This would be a sensible approach to take.

Q 49. What are your views on the reporting issues raised in relation to the above possible indicators?

- ⇒ We agree that it would be preferable to report call centre indicators on a jurisdictional basis (combining call centre data where multiple centres service a jurisdiction, and allocating customers to a jurisdiction where a call centre services multiple jurisdictions). However, if the location of customers cannot be easily identified, then we would accept an alternative approach such as reporting by call centre or nationally. We note that the indicators are designed to measure a proportion of calls rather than rely on customer numbers. We also note that the data will already be aggregated by fuel type and by customer categories since it will be impractical or impossible to collect this data separately.

- ⇒ We support the collection of data for these indicators on a monthly basis, and recommend that the AER publicly report the indicators quarterly.
- ⇒ We accept that by restricting the information to calls that are forwarded to a live operator or customer service representative, the indicators will not capture calls where the customer is unable to 'find' the operator or where the customer opts not to speak to a customer. However, if there are surveys of call centres then the quality of a retailer's system can be assessed through that process.
- ⇒ Where an IVR is used, we support that monitoring of a call should commence as soon as a customer opts to speak to an operator. Where a customer chooses the 'call back' option within 30 seconds and the call centre actually calls the customer back in the allotted time, we support that the call be considered to have been answered within 30 seconds. We note that the indicators will not capture those calls where the call centre answers the call within 30 seconds but then places the customer on hold for 5 minutes. Again, the potential for this situation illustrates the importance of an occasional survey of the operation of call centres.
- ⇒ On the question of distributors, we support the idea that if equivalent customer service indicators are collected for distributors and are not published elsewhere, they should be included in the public retail market reports.

2.7 Complaints

Q 50. What are your views on the categories of complaints to be included for reporting in this area?

- ⇒ In general, we support the proposed categories of complaints and note these are largely consistent with current jurisdictional reporting requirements.
- ⇒ However, we recommend that an additional indicator be included on the number of complaints that are concluded or resolved within specified time limits. Under NECF2 a retailer will be required to have a standard complaints and dispute resolution procedure. The procedure will include set time limits for any response to a complaint. The proposed indicator would measure the rate that complaints are concluded within the set limit.
- ⇒ The Issues Paper raised the issue of potentially reporting on affordability complaints. We also note that the Performance and Information Reporting Guideline from the Office of the Tasmanian Economic Regulator includes a separate section on reporting of complaints around PPM.
- ⇒ Rather than recommend the inclusion of additional complaint categories, we strongly recommend that the AER work closely with the energy ombudsmen to review the categories of complaints. Once there is a weight of evidence that alternative or additional complaints indicators are required then we would expect the AER to pursue changes. For example, if the use of PPMs increases then it would be sensible to include a specific category for this.
- ⇒ We also support the collection of complaints data for each jurisdiction separately, and on a monthly basis. We recommend that the complaints data be reported publicly by the AER through the quarterly reports.

Q 51. What are your views on collecting complaints data separately for residential and business customers?

⇒ We support the proposal in the Issues Paper to report complaints separately for residential and business customers. We note that this is also the position in the Utility Regulators Forum paper (referred to as SCORRRR in the Issues Paper).

Q 52. What issues arise in relation to defining the complaint types, particularly given the need for consistent reporting?

⇒ We support the proposed definition from the Issues Paper on what constitutes a complaint, and also the definitions given for each complaint type. There are several other issues we would like to raise around complaint reporting:

- Given that many complaints will be retailer related rather than fuel specific, we recommend reporting complaints as a combined energy category (electricity only contracts, gas only contracts, and dual fuel contracts).
- A complaint should be recorded by the call centre or customer service office even if the complaint can be resolved during the initial contact with the retailer.
- If there is more than one complaint in a contact (e.g., customer wants a review of a bill since it looks high, and also feels there was misleading marketing conduct since they were told one thing but the contract seems to say another, then complaints should be allocated to both the marketing and billing categories).

Q 53. How might the AER effectively compare the data on complaints reported by retailers with that reported by energy ombudsman schemes?

- ⇒ We strongly support the AER working closely with the energy ombudsmen around complaints and what the complaints are saying about the state of the retail market.
- ⇒ We agree with the view in the Issues Paper that there is great value in comparing the retailer reporting data to the complaints recorded by the energy ombudsmen. Discrepancies would be cause for further investigation. For example, high retailer complaints but low ombudsmen complaints might indicate that retailers are effective in dealing with customer problem. The reverse (low retailer complaints but high ombudsmen complaints) would clearly be a concern. To that end, we see value in aligning reporting between the AER reporting regime and the energy ombudsmen schemes.

2.8 Reporting requirements

Q 54. What are your views on the reporting requirements considered above?

- ⇒ Regarding the reporting against fuel types and the allocation of dual fuel customers, in most situations we do not support separate reporting for dual fuel contracts. The reporting should be about fuel type and not about fuel contract type. We use fuel contract type to allocate customers to the fuel type category. Therefore, dual fuel customers should be included in both the electricity and gas categories. That is, report by electricity (electricity only plus dual fuel contracts) and by gas (gas only plus dual fuel contracts). This most accurately reflects the number of electricity customers and the number of gas customers. Where a combined energy category is appropriate (such as for customer service indicators), then all contracts would be combined.
- ⇒ Regarding definitions, we agree with the view in the Issues Paper that a lack of a clear and consistent definition can be a problem where the indicators will be compared between

retailers – (we note that this will not occur for payment plans and hardship program indicators, since each retailer will operate different types of plans and programs). We argue that retailers should be required to provide the specific definition they used to compile any indicator data. In that way there can be no ‘confusion’ about what the definition means.

- ⇒ Therefore, our recommendation is that the AER provide guidelines for each indicator, plus as specific a definition as possible. The guidelines would give direction on the type of data required. At the time the data is provided to the AER, the retailer would also provide their own specific definition (i.e., data source, what the data represents, time frame etc.), plus a written method for how the data was compiled. This would reduce the ambiguity about the data provided, and would also make it easier to conduct an audit.
- ⇒ Regarding the overall reporting requirements, we support the proposals to report against:
 - small customers as defined under NECF2, but also include small market offers when reporting against numbers of small business customers
 - both electricity and gas
 - each customer class, unless the indicator is specific to a class (such as concessions for residential customers only), or the indicator can be combined for all customer classes (such as customer service indicators)
 - each jurisdiction as a total for all retailers, and
 - each retailer within each jurisdiction.
- ⇒ However, we recommend that customer numbers and disconnections/reconnections within 7 days are also reported by distribution network. We believe that indicator data should increasingly have a spatial component, and see a point where some data is reported to the AER by postcode.
- ⇒ We also support the proposals in the Issues Paper for:
 - retailers to predominately collect data either monthly or quarterly, although there are a handful of annual indicators
 - retailers to report data to the AER quarterly, and
 - the AER to publicly report quarterly, plus a consolidated annual report.

Q 55. What concerns, if any, do you have regarding the ability to report against the proposed indicators, and any costs associated with the reporting requirements?

- ⇒ We note that, across all the jurisdictions, there are a large number of indicators currently being reported. We believe that the evidence suggests that the retailers will have the ability to report against any proposed indicators that have been carefully developed and that have a strong basis in the energy retail market.
- ⇒ Regarding the regulatory costs associated with the reporting requirements, we make the distinction between the costs of establishing national indicator reporting and the recurring costs of collecting and reporting the data. A higher cost for establishment should be expected, with relative costs falling over time. We believe that the focus should be on the long term benefits from the provision of information not the initial costs of establishment.

3.1 Performance of distributors in relation to the small compensation claims regime

Q 56. Are there other generic indicators that can be used to measure distributors' performance in relation to small compensation claims regimes? How might they be interpreted?

⇒ We support the generic indicators proposed in the Issues Paper. They would cover the most important or relevant areas.

Q 57. Is quarterly reporting of the proposed indicators appropriate, or would less frequent reporting (e.g. six monthly, annual) be preferable.

⇒ We support quarterly reporting for distributors, noting that distributors in most jurisdictions already provide quarterly performance reporting for a range of other indicators. We support that a primary concern should be to avoid any duplication in public reporting by either retailers or distributors.